The background of the slide is a photograph of several blue industrial robotic arms in a factory environment. The image is darkened with a blue overlay to make the white text stand out. On the left side, there is a vertical bar with a gradient from grey to orange.

# 2023 2<sup>nd</sup> Quarter Earnings Conference

August 15<sup>th</sup>, 2023





# Safe Harbor Statement

This Presentation contains certain forward looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Except as required by law, we undertake no obligation to update any forward looking statements, whether as a result of new information, future events or otherwise.

# Financial Highlights 2Q23

• 2023 Q2 Financials

	2Q 2023	1Q 2023	QoQ	2Q 2022	YoY
Net Sales	15,064	14,900	1.1%	14,544	3.6%
Gross Margin	25.8%	24.3%	+150bps	23.0%	+280bps
Operating Margin	11.8%	11.4%	+40bps	8.8%	+300bps
EPS (TWD)	1.01	0.78	+29.5%	0.48	+110.4%

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- 2Q 2023 net sales increased by 3.6% YoY due to continuous growth of Green Mechatronic Solution in North America, as well as engineering projects of Intelligence Energy.
- The gross margin was 25.8%, higher than the same period last year level by 2.8%, mainly due to price increase in motor products and USD appreciation. Operating margin was higher than 2Q 2022 level by 3.0% mainly due to an increase in gross margin.
- EPS reached at TWD 1.01 in Q2, increased by TWD 0.23 versus the previous quarter, increased by TWD 0.53 from the same period last year.

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# Financial Highlights 1H23

- 2023 Q2 Financials

	1H23	1H22	YoY
Net Sales	29,964	28,441	5.4%
Gross Margin	25.1%	22.4%	270bps
Operating Margin	11.6%	8.6%	300bps
EPS (TWD)	1.78	0.65	173.8%

Net sales in the first half of 2023 was TWD 29.96 billion, with 5.4% YoY growth, and EPS in the first half of 2023 reached at TWD 1.78, an increase of TWD 1.13 over the same period last year, mainly due to the increase of operating profit in this period and the loss in financial asset evaluation in the same period last year.

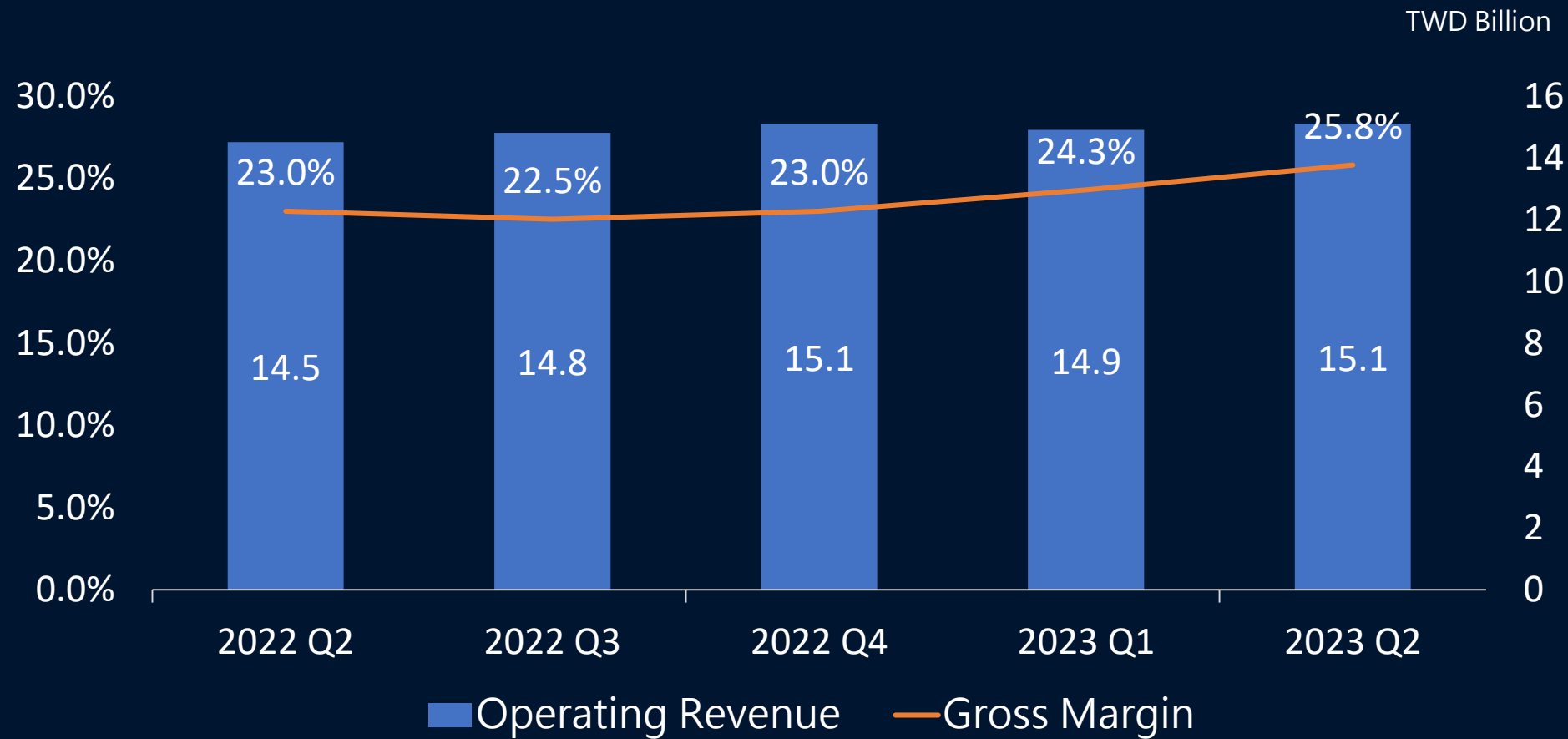
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# Operating Revenue vs. Gross Margin

- 2023 Q2 Financials



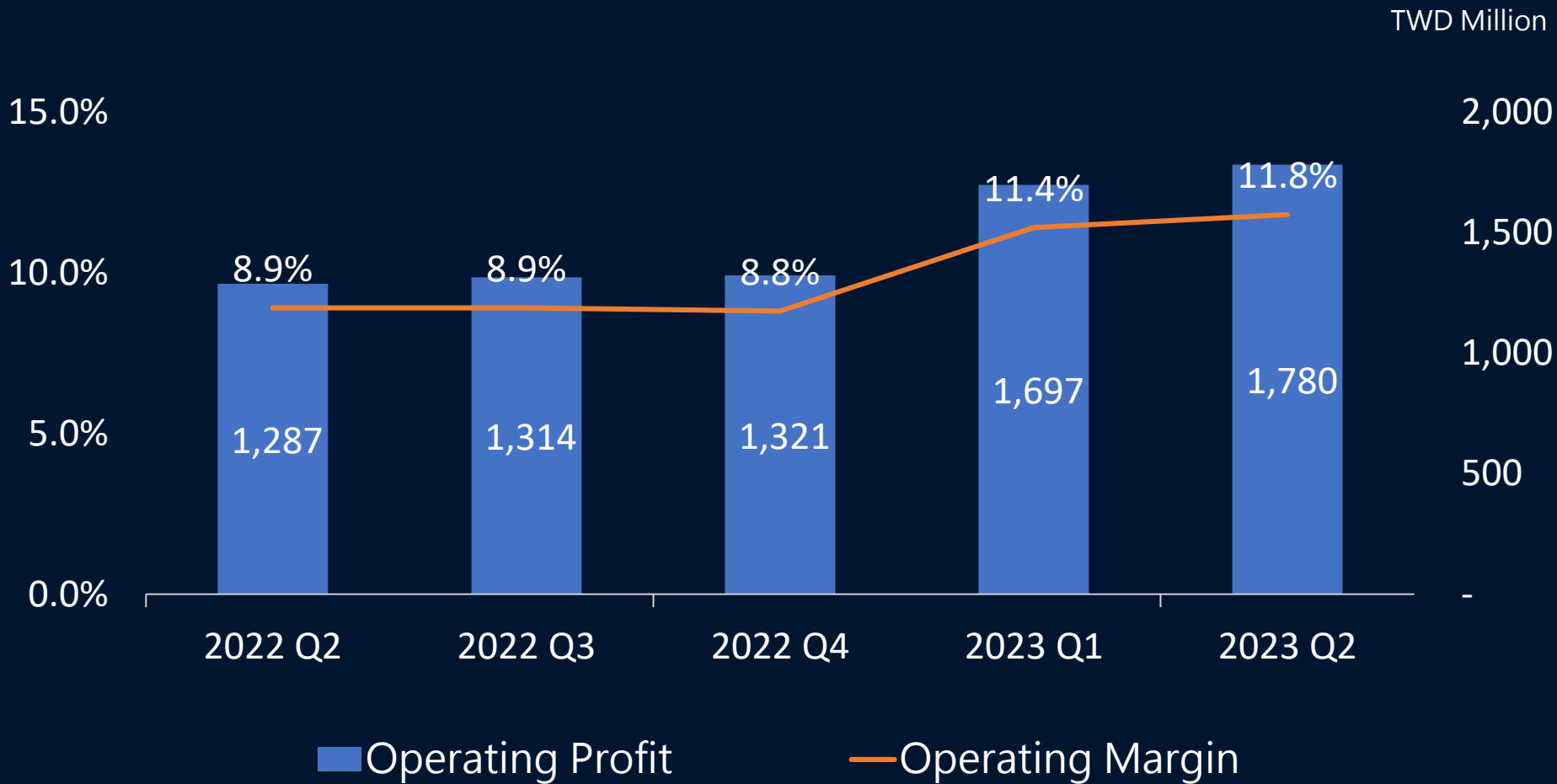
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# Operating Profit vs. Operating Margin

- 2023 Q2 Financials



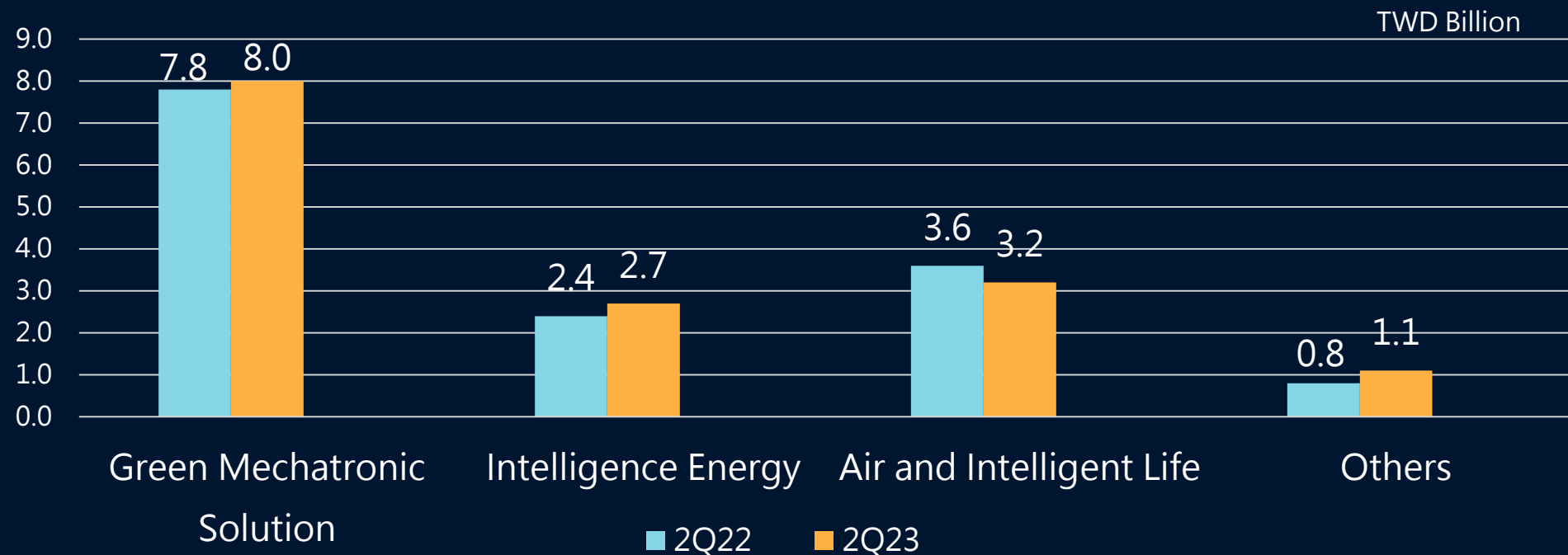
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# Performance of Business Groups

2023 Q2  
Financials



- The Three Business Groups Operating Performance

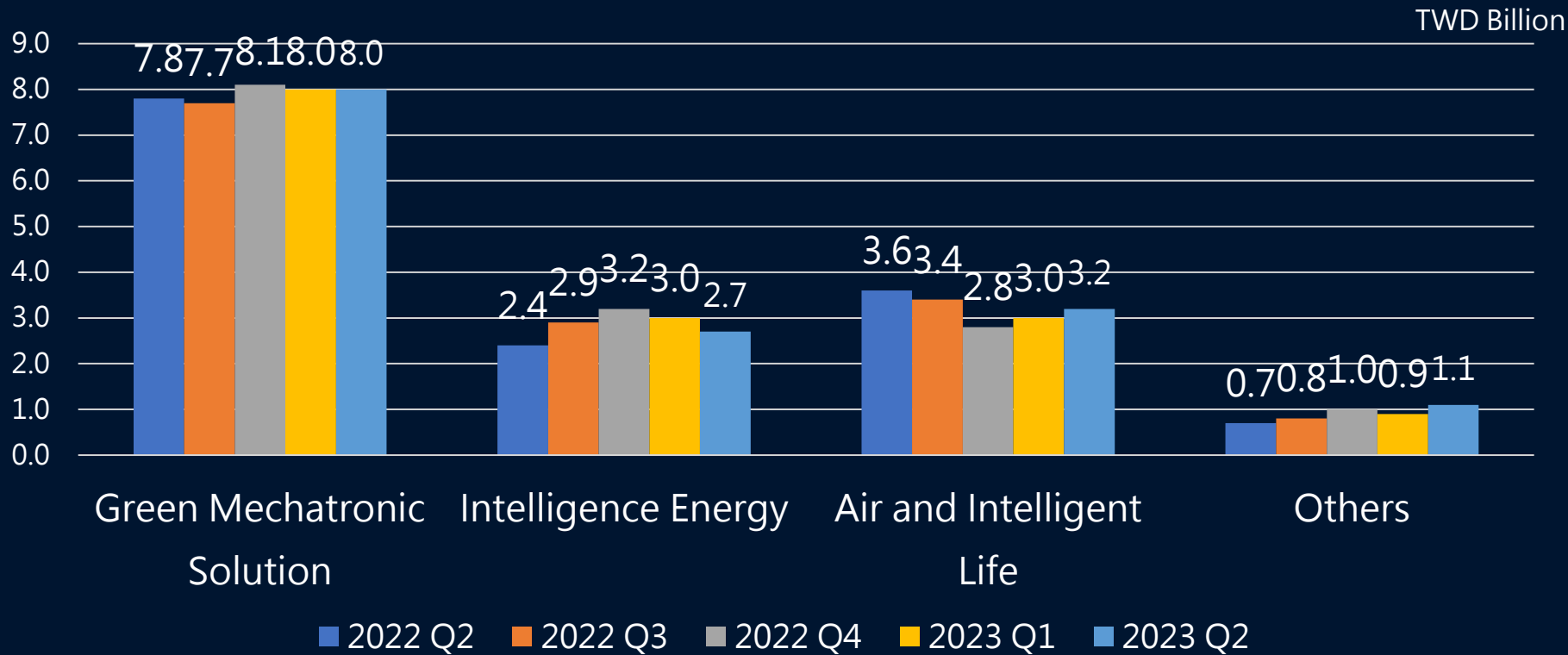
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- ✓ "Green Mechatronic Solution" revenue increased by 2.6% YoY, although the demand in Taiwan and China declined, the overall revenue continuous to grow due to the continued growth in revenue in North America.
- ✓ The revenue growth of "Intelligence Energy " increased by 13.4% YoY, mainly due to the growth of engineering project revenue.
- ✓ " Air and Intelligent Life " revenue decreased by 10.2% YoY, mainly due to the decline in revenue from consumer products such as air conditioners, home appliances, and communication products, as well as logistics and information services.

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# Sales Trend of Business Groups



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- ✓ **"Green Mechatronic Solution"** revenue showed a quarterly growth trend in 2022 mainly due to the contribution from North American. In 2023, the weak demand in Taiwan and China offset the growth in North America and slowed down the growth of the business group.
- ✓ The revenue growth of **"Intelligence Energy"** in 2022 is mainly due to the increase in the number of projects. The lower revenue in Q2 this year is mainly due to the difference in timing of project revenue recognition.
- ✓ **"Air and Intelligent Life"** revenue trend is mainly due to seasonal changes in demand for air conditioners and home appliances.

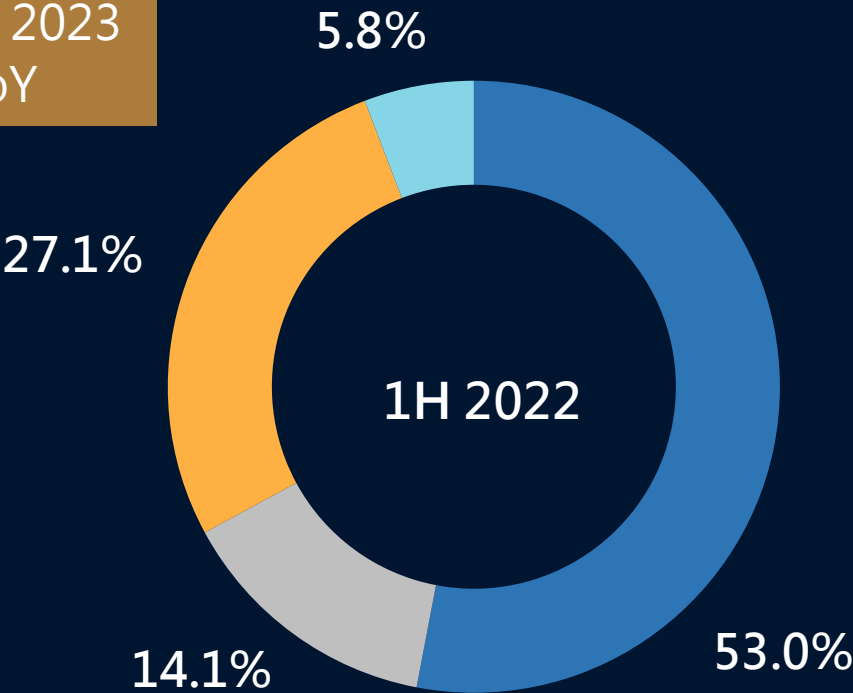
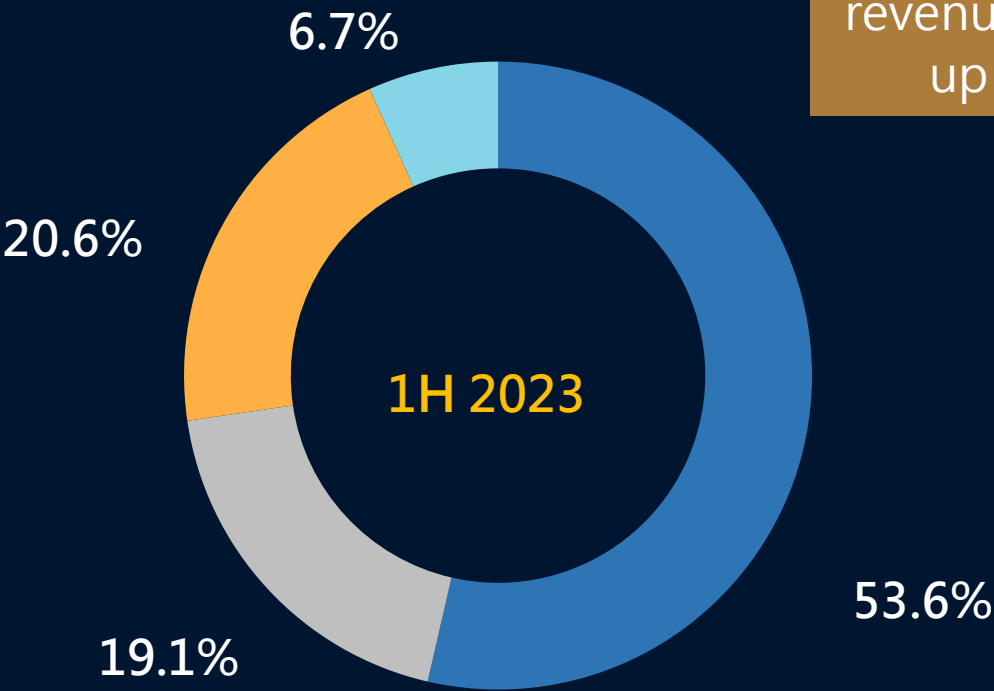
# Revenue Breakdown by Business Group 1/2

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Consolidated revenues of 1H 2023 up 5.4% YoY



■ Green Mechatronic Solution  
■ Air and Intelligent Life

■ Intelligence Energy  
■ Others

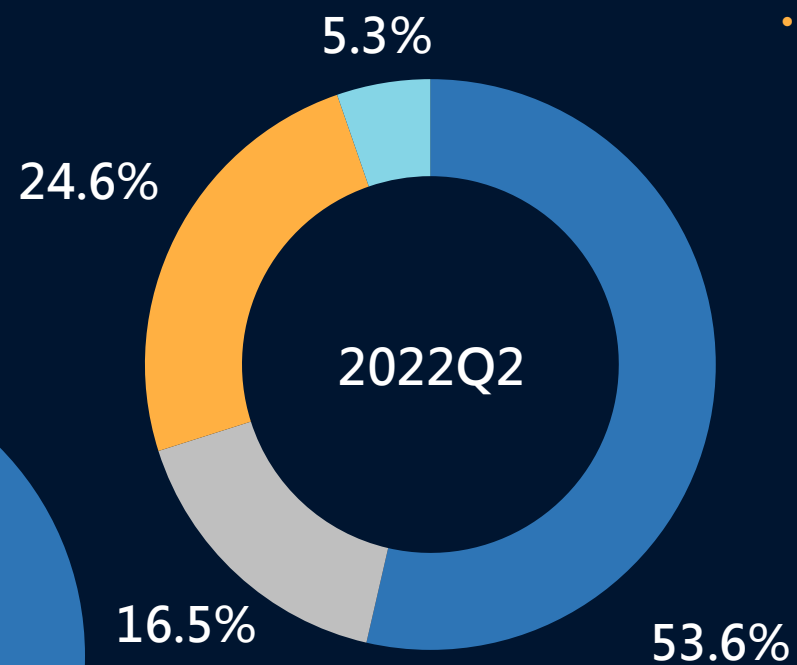
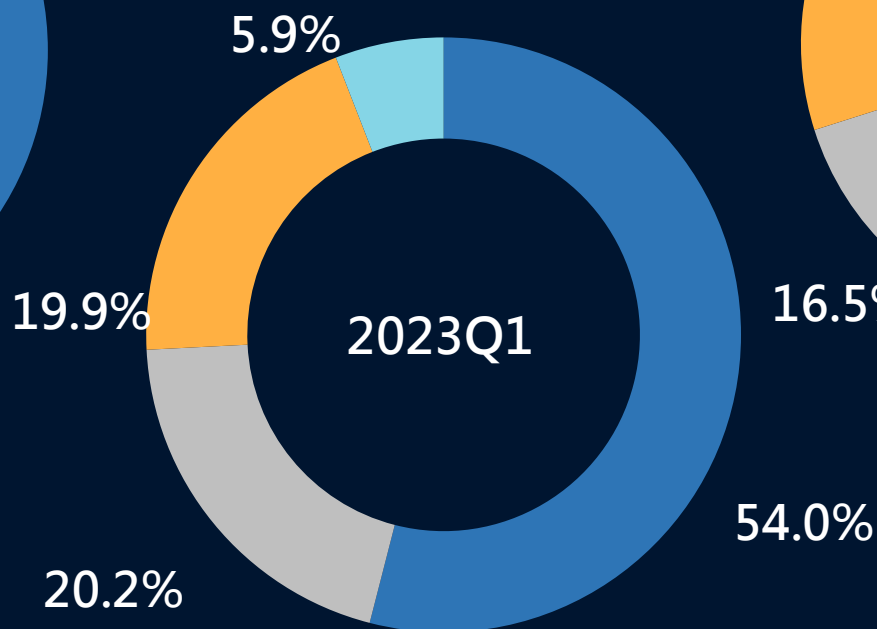
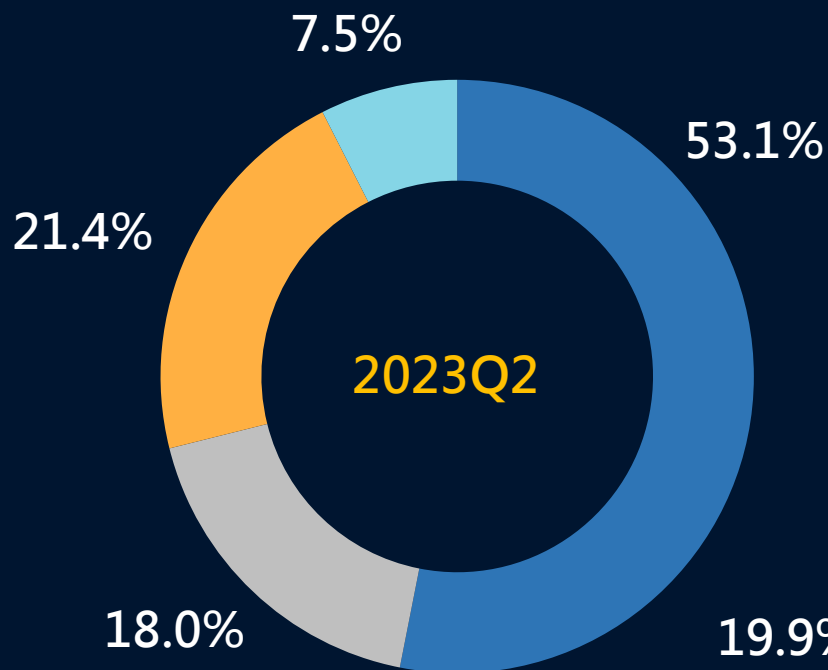
# Revenue Breakdown by Business Group 2/2

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Consolidated revenues of 2023Q2  
up **1.1%** QoQ  
up **3.6%** YoY

■ Green Mechatronic Solution ■ Intelligence Energy  
■ Air and Intelligent Life ■ Others

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# Progress of Green Energy Related Businesses

## Green Mechatronic Solution :

- ✓ Revenue of energy-saving and EV related products in H1 increases by **21.9% YoY**, percentage to the overall business group increased from 13.2% in the same period last year to **15.2%**.

## Intelligence Energy (including Innovative Energy Storage Operation & Development) :

- ✓ Acquired **400MVAR** Turnkey of ZhangGong Step-up Substation and YongXing Switchyard STATCOM Construction Project (**TWD 4.46 billion**).
- ✓ Orders in hand for engineering and equipment exceeded **TWD 30 billion**.
- ✓ Revenue of green energy related engineering and products in H1 increased by **106.3% YoY**, percentage to the overall business group increased from 25.3% in the same period last year to **34.3%**.

## Air and Intelligent Life :

- ✓ Revenue of inverter commercial AC in H1 increased by **20.8% YoY**, percentage to total commercial AC business raised from 20.9% in the same period last year to **24.5%**.
- ✓ Revenue share of energy-saving related products in the business group increased from 42.9% in 2022H1 to **45.6%** in the same period of this year.

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# Cautious outlook due to Headwinds to the Macro-economic Environment

US

Taiwan

China

Recent Economic Situation	Impact on TECO
<ul style="list-style-type: none"><li>• The ISM manufacturing index hit another low of 46 in June, falling below the line of 50 for eight consecutive months. However, new orders and supplier deliveries showed signs of stabilization.</li><li>• The manufacturer's inventory continued to decline to 44.0, the terminal client's inventory declined, and the inventory reduction continued. The overall data indicates that the U.S. economy may have a soft landing.</li></ul>	<ul style="list-style-type: none"><li>• Projects such as infrastructure and electrification promoted by U.S. policies had partial delays due to supply chain bottlenecks that still exist in different components or systems, affecting TECO's subsequent revenue growth rate.</li></ul>
<ul style="list-style-type: none"><li>• The manufacturing PMI in July dropped to 46.1, new orders fell to 48.1, and customer inventory further fell to 40.4, showing that inventory is continuing.</li><li>• The second half of the year used to be the peak season for electronics, but the economic environment in North America and China were not clear, so managers' outlook for the next six months has not returned to a high level.</li></ul>	<ul style="list-style-type: none"><li>• After the continuous decline before May, the overall manufacturing industry rebounded in June, but fell again in July, showing that the business cycle is volatile and uncertain.</li><li>• The inventory reduction of customers is continuing, and the orders are still relatively conservative.</li></ul>
<ul style="list-style-type: none"><li>• The annual growth rate of Q2 GDP rebounded to 6.3%, but it was lower than the market expectation of 7.4%, mainly due to the slowdown in the recovery of the housing market, the poor willingness of private investment and weak exports.</li><li>• The Politburo meeting in July pointed out that it will raise the "rescue housing and stabilize employment" to a strategic height and formulate corresponding private investment policy measures. In the next few months, more loose policies may be introduced to stimulate the economy.</li></ul>	<ul style="list-style-type: none"><li>• The manufacturing PMI reached 49 in July, which remained below the dry-boom line.</li><li>• The investment willingness of private enterprises continues to decline and the export demand in Q2 is dragged down by the off-season of overseas electronic products. The overall market demand for motors has not yet recovered significantly from the recession.</li></ul>

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# Outlook for 3<sup>rd</sup> Quarter

## Estimated Revenue

Green Mechatronic Solution	YoY ↑	QoQ ↑
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Intelligence Energy	YoY ↑	QoQ ↑
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Air and Intelligent Life	YoY <->	QoQ ↑
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Company-Wide Gross Margin	YoY ↑	QoQ <->
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# Recap of Recent Major Events | 2023.06.05

## TECO and ABB collaborate to jointly promote offshore substations for wind farms in Taiwan



With ABB's expertise in integrating electrical, control, telecommunications and digital solutions, combined with TECO's successful experience of approximately 2.5 GW in onshore substation projects, this collaboration will offer developers reliable and comprehensive solutions for offshore wind farms.

TECO will become **the first local company** in Taiwan to participate in the construction of offshore substations for wind projects. This includes providing GIS switchgear equipment, standby generators, and other related equipment. Additionally, there is potential for collaboration with ABB to **provide "E-House" solutions (pre-installed electrical rooms)** for offshore and onshore substations.

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# Recap of Recent Major Events | 2023.06.28

## DANAN, RAC, and TECO Join Forces to Establish a Domestic E-Bus Industry Ecosystem



Danan Bus Co., Ltd. held a vehicle launch ceremony. The 48 electric buses are purchased from RAC Electric Vehicles Inc. and are powered by TECO. The powertrain system provided by TECO are currently the only domestically produced powertrain in Taiwan certified by the government with **DMIT (Designed and Manufactured in Taiwan)** accreditation.

The system provides attributes such as **high efficiency, lightweight construction, modularity, and high strength**. These characteristics enable the system to meet the requirements for long-duration high-speed driving. While initially designed for electric buses and large-scale trucks, its application scope can be extended to include electric ferries, electric agricultural machinery, port electric auto-guided vehicles, and various other field applications.

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# Recap of Recent Major Events | 2023.07.20

## TECO Lands Turnkey Contract for TWD4.46 Bn Taipower STATCOM Project



TECO, with its solid strength and track record for electric engineering and its partnership with GE, a global leader for high-voltage electric equipment, has landed the **TWD4.46 billion** turnkey contract for Taipower's STATCOM (Static Synchronous Compensator) engineering project in Changhua County.

This case is an index case with a scale of 400MVAR and **the largest case in Taiwan**, accounting for 50% of the capacity of Taipower's self-built STATCOM. The project is scheduled for completion in the first half of 2027.

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A blue industrial robotic arm is the central focus, set against a blurred background of a factory floor. The arm is positioned diagonally across the frame. To the left of the text, there is a vertical bar with a gradient from grey at the top to orange at the bottom.

Q&A

[Http://www.teco.com.tw](http://www.teco.com.tw)  
[ir@teco.com.tw](mailto:ir@teco.com.tw)

**TECO** 

# Statements of Comprehensive Income | 2Q2023

2023 Q2  
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(TWD Million)	2023Q2	2023Q1	QoQ	2022Q2	YoY
Operating Revenue	15,064	14,900	1.10%	14,544	3.58%
Net Gross Profit *	3,881	3,629	6.94%	3,341	16.16%
Operating Profit	1,780	1,697	4.89%	1,287	38.31%
Non operating Income	998	490	103.67%	281	255.16%
Income Before Tax	2,778	2,187	27.02%	1,568	77.17%
Income Tax	(524)	(444)	18.02%	(397)	31.99%
Net Income**	2,122	1,743	29.79%	1,021	107.84%
EPS (TWD)	1.01	0.78	29.49%	0.48	110.42%

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\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

- Revenue in 2023Q2 was TWD 15.1 billion, increased by approximately 3.58% compared to 2022Q2, is mainly due to: Continual growth of Green Mechatronic Solution in North America, as well as engineering projects of Intelligence Energy.
- The net non operating income in 2023Q2 was TWD 998 million, compared to the net non operating profit in 2022Q2 was TWD 281 million. The main reason is that there was a loss of TWD416 million in financial asset evaluation in the same period last year.

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# Statements of Comprehensive Income | 1H23

2023 Q2  
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- Revenue in the first half of 2023 increased by 5.35% compared to the same period of 2022, mainly because the growth of Green Mechatronic Solution and Intelligence Energy.
- Compared with the same period in 2022, the net non-operating income in the first half of 2023, the contribution has turned from negative to positive, mainly due to the impact of stock market volatility in the same period last year, which led to the recognition of unrealized losses in financial asset evaluation, while this period is evaluation benefit.

(TWD Million)	1H2023	1H2022	YoY
Operating Revenue	29,964	28,441	5.35%
Net Gross Profit*	7,510	6,385	17.62%
Operating Profit	3,478	2,437	42.72%
Non operating Income	1487	(70)	-
Income Before Tax	4,965	2,367	109.76%
Income Tax	(968)	(742)	30.46%
Net Income**	3,757	1,369	174.43%
EPS (TWD)	1.78	0.65	173.85%

\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

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# Balance Sheets | June 2023

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(TWD Thousand)	Jun. 30, 2023		Dec. 31, 2022		Jun. 30, 2022	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalents	22,658,903	17%	21,156,796	17%	20,167,428	16%
Receivables	13,067,709	10%	11,804,505	9%	12,794,020	10%
Inventories	12,664,296	10%	12,895,287	10%	13,049,064	11%
Total Assets	131,559,455	100%	126,603,110	100%	124,005,841	100%
Payables	18,927,266	14%	15,904,792	13%	18,493,412	15%
Short term Borrowings	1,734,719	1%	1,751,344	1%	1,703,444	1%
Long term Borrowings	4,009,422	3%	3,655,514	3%	3,804,406	3%
Corporate Bond Payables	5,000,000	4%	5,000,000	4%	6,000,000	5%
Total Liabilities	43,341,882	33%	40,284,611	32%	43,334,958	35%
Equities	88,217,573	67%	86,318,499	68%	80,670,883	65%
Key Indices						
AR Turnover (times)	5.00		5.08		4.90	
Inventory Turnover (times)	3.33		3.41		3.31	
Current Ratio	2.09		2.22		2.00	
Quick Ratio	1.44		1.53		1.39	
Net Debt to Equity	-13.51%		-12.45%		-10.73%	

- Cash and Cash Equivalents increased by TWD 1.5 bn compared to Year end of 2022 mainly due to the increase in net income.

- Inventories increased by TWD 1.3 bn compared to Year end of 2022 mainly due to revenue growth and the increase of receivable dividend. AR turnover has not changed much.

- Equities increased by TWD 1.9 bn compared to Year end of 2022. In addition to the current period's net profit, it was mainly due to the announcement of cash dividends and the increase in the unrealized benefit of financial asset evaluation.